

Exhibit 34: Calculation of Market Rent Gap in Six California Apartment Markets, 1997

	Line	Item	Santa Clara County	Contra Costa County	Los Angeles County	San Bernardino County	Sacramento County	Fresno County
PROJECT OUTLINE	1	Parcel size (acres)	2	2	2	2	2	2
	2	Density (units per acre)	40	30	25	20	18	15
	3	Parking spaces per unit	2	2	2	2	2	1.5
	4	Average unit size	850	825	850	800	800	800
	5	Common area (%)	10%	10%	10%	10%	10%	10%
DEVELOPMENT COST STRUCTURE	6	Land cost/SQFT	\$40.00	\$20.00	\$25.00	\$15.00	\$15.00	\$10.00
	7	Construction cost/SQFT	\$95.00	\$75.00	\$70.00	\$67.00	\$65.00	\$60.00
	8	Soft costs percentage	30%	30%	25%	20%	20%	20%
	9	Parking cost/space	\$8,000	\$3,000	\$5,000	\$2,000	\$3,000	\$2,000
FINANCING STRUCTURE	10	Maximum loan-to-value(cost)-ratio	0.75	0.75	0.75	0.75	0.75	0.75
	11	Mortgage interest rate (%)	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
	12	Term (years)	30	30	30	30	30	30
	13	REQUIRED CASH-ON-CASH RETURN	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
OPERATING COST STRUCTURE	14	Average vacancy rate	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	15	Expense Ratio (%)	35.0%	30.0%	35.0%	30.0%	30.0%	30.0%
DEVELOPMENT SUMMARY	16	Land cost	\$3,480,000	\$1,740,000	\$2,175,000	\$1,305,000	\$1,305,000	\$870,000
	17	Residential units	80	60	50	40	36	30
	18	Total built square footage	74,800	54,450	46,750	35,200	31,680	26,400
	19	Parking spaces	160	120	100	80	72	45
	20	Total development cost	\$14,147,640	\$7,517,955	\$6,859,275	\$4,365,600	\$4,055,508	\$2,913,675
	21	- Supportable mortgage (cost* L/V)	<u>\$10,610,730</u>	<u>\$5,638,466</u>	<u>\$5,144,456</u>	<u>\$3,274,200</u>	<u>\$3,041,631</u>	<u>\$2,185,256</u>
	22	Required initial cash	\$3,536,910	\$1,879,489	\$1,714,819	\$1,091,400	\$1,013,877	\$728,419
BREAK-EVEN RENT CALCULATION	23	Required (before-tax) cash flow	\$424,429	\$225,539	\$205,778	\$130,968	\$121,665	\$87,410
	24	+Debt service	<u>\$898,424</u>	<u>\$477,416</u>	<u>\$435,587</u>	<u>\$277,231</u>	<u>\$257,539</u>	<u>\$185,028</u>
	25	Net operating income	\$1,322,853	\$702,955	\$641,366	\$408,199	\$379,204	\$272,439
	26	+ Operating expenses	<u>\$712,305</u>	<u>\$301,266</u>	<u>\$345,351</u>	<u>\$174,942</u>	<u>\$162,516</u>	<u>\$116,759</u>
	27	Rent revenue after vacancies	\$2,035,158	\$1,004,221	\$986,716	\$583,141	\$541,720	\$389,198
	28	+ Vacancy losses	<u>\$62,943</u>	<u>\$52,854</u>	<u>\$51,932</u>	<u>\$30,692</u>	<u>\$28,512</u>	<u>\$20,484</u>
	29	Scheduled gross income	\$2,098,101	\$1,057,075	\$1,038,649	\$613,832	\$570,231	\$409,682
	30	MINIMUM REQUIRED MONTHLY UNIT RENT	\$2,186	\$1,468	\$1,731	\$1,279	\$1,320	\$1,138
RENT GAP CALCULATION	31	1997 MEDIAN RENT	\$1,200	\$900	\$950	\$675	\$625	\$500
	32	Rent gap	\$986	\$568	\$781	\$604	\$695	\$638
	33	Rent gap as a percent of median rent	82%	63%	82%	89%	111%	128%

Sources: 1997 Rents from RealFacts; see text for additional notes.